

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Pilot Air Freight, LLC
a/k/a Pilot Air Freight Corp.
314 North Middletown Road
Lima, PA 19037

Respondent

ORDER RELATING TO
PILOT AIR FREIGHT, LLC, A/K/A PILOT AIR FREIGHT CORP.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Pilot Air Freight, LLC, also known as Pilot Air Freight Corp., of Lima, Pennsylvania (“Pilot”), of its intention to initiate an administrative proceeding against Pilot pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (the “Act”),² through the issuance of a Proposed Charging Letter to Pilot that alleges that Pilot committed one violation of the Regulations. Specifically, the charge is:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2017). The charged violation occurred in 2015. The Regulations governing the violations at issue are found in the 2015 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2017 Regulations set forth the procedures that apply to this matter.

² 50 U.S.C. §§ 4601-4623 (Supp. III 2015). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2017 (82 Fed. Reg. 39,005 (Aug. 16, 2017)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2012).

**Charge 1 15 C.F.R. § 764.2(b): Aiding or Abetting an Attempted
Unlicensed Export to a Listed Entity**

On one occasion, in or about February 2015, Pilot caused, aided, and/or abetted a violation of the Regulations by facilitating the attempted unlicensed export of items subject to the Regulations from the United States to IKAN Engineering Services ("IKAN"), an entity in Pakistan listed on BIS's Entity List. The items included an ultrasonic mill cutting machine, which is classified under Export Control Classification Number ("ECCN") 2B991 and controlled for Anti-Terrorism reasons, and related electrical equipment, designated EAR99,³ and were valued in total at approximately \$250,287.

IKAN is and was at all times pertinent hereto on the Entity List, Supplement No. 4 to Part 744 of the Regulations. IKAN was added to the Entity List on September 18, 2014, along with several other Pakistani entities that had worked with Pakistan's Advanced Engineering Research Organization ("AERO") to procure sensitive U.S. technology in support of Pakistan's missile and strategic unmanned aerial vehicle ("UAV") programs, in violation of the license requirements set forth in Section 744.3 of the Regulations. *See* 79 Fed. Reg. 55998 (Sept. 18, 2014). IKAN had been used as an intermediary or front company by AERO to procure U.S.-origin items through deceptive means on behalf of Pakistan's Air Weapons Complex, a Pakistani Government entity responsible for cruise missile and strategic UAV programs. *See id.*

Accordingly, pursuant to Section 744.11 of the Regulations and IKAN's Entity List listing, a license is and was at all pertinent times required to export any item subject to the Regulations to IKAN, and license applications to export to IKAN are and were at all pertinent times subject to a license review policy of a presumption of denial. As detailed further below, in providing forwarding services to facilitate this attempted unlicensed export, Pilot's screening program failed to flag or detect a close match for IKAN's name and address as set forth on the Entity List.

Pilot arranged for the transportation of the items by rail from the exporter's location in New Mexico, to the intended port of export in Long Beach, California, and prepared and submitted shipping documentation, including Electronic Export Information ("EEI") filed with the U.S. Government. The EEI filed by Pilot in the Automated Export System indicated, erroneously, that no license was required for the export of the items to IKAN.

Pilot had multiple proprietary interfaces/portals for entering and scheduling shipments and related forwarding services, including an online interface called "Co-Pilot," which Pilot customers could access directly to, inter alia, enter information about and schedule shipments for pickup, and which was used to enter and schedule the shipment at issue in this matter. Pilot relied on proprietary screening software built into its primary interface/portal, "Navigator," to screen against the Entity List and other U.S. Government

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2015-2017).

prohibited party lists. However, Pilot had not connected its “Co-Pilot” interface/portal (as well as one other interface/portal) to the proprietary screening software, with the effect that shipments scheduled through those interfaces/portals were not screened against the Entity List. Consequently, Pilot failed to flag this transaction even though the name and address information in its possession closely matched the Entity List listing for IKAN. As Pilot has acknowledged to BIS during this matter, properly configured screening software would have identified the attempted export as involving a listed entity and flagged it for review.

No license was sought or obtained for this transaction, as Pilot knew or should have known. BIS was able to prevent the intended export from occurring by detaining the items before they could be shipped out of the United States.

By so causing, aiding, and/or abetting the attempted unlicensed export of items subject to the Regulations to IKAN, Pilot committed one violation of Section 764.2(b) of the Regulations.

WHEREAS, BIS and Pilot have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, Pilot shall be assessed a civil penalty in the amount of \$175,000. The payment of \$100,000 shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment of the remaining \$75,000 shall be suspended through March 31, 2020 and thereafter shall be waived, provided that during this payment probationary period under the Order: Pilot has timely paid \$100,000 to the Department of Commerce as set forth above; has otherwise complied with the provisions of the Settlement Agreement and this Order; and has committed no other violation of the Act, or any regulation, order, license or authorization issued thereunder.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues

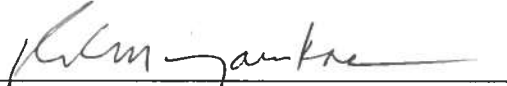
interest as more fully described in the attached Notice, and if payment is not made by the due date specified herein, Pilot will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, Pilot shall complete two external audits of its export controls compliance program. Pilot shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports and reexports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 1200 South Avenue, Suite 104, Staten Island, NY 10314 (“BIS New York Field Office”). The audits shall cover the periods of January 1, 2018 through December 31, 2018, inclusive, and January 1, 2019 through December 31, 2019, inclusive, and the related reports shall be due to the BIS New York Field Office no later than March 31, 2019, and March 31, 2020, respectively. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module, and shall include an assessment of Pilot’s compliance with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/compliance>. In addition, where said audit identifies actual or potential violations of the Regulations, Pilot must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS New York Field Office.

FOURTH, the full and timely payment of the civil penalty, completion of the audits, and submission of the audit results as set forth above are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Pilot. Accordingly, if Pilot should fail to fully or timely pay the civil penalty, complete either audit, or submit the audit results, the undersigned may issue an order denying all of Pilot's export privileges under the Regulations for a period of one year from the date of failure to make such payment, or to so complete any of the audits and submit the results.

FIFTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.


Richard R. Majauskas
Deputy Assistant Secretary of Commerce
for Export Enforcement performing the non-
exclusive functions and duties of the
Assistant Secretary of Commerce for Export
Enforcement

Issued this 21ST day of November, 2017.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Pilot Air Freight, LLC
a/k/a Pilot Air Freight Corp.
314 North Middletown Road
Lima, PA 19037

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Pilot Air Freight, LLC, also known as Pilot Air Freight Corp., of Lima, Pennsylvania, (“Pilot”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).²

WHEREAS, BIS has notified Pilot of its intentions to initiate an administrative proceeding against Pilot, pursuant to the Act and the Regulations;

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2017). The charged violation occurred in 2015. The Regulations governing the violation at issue are found in the 2015 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2017 Regulations set forth the procedures that apply to this matter.

² 50 U.S.C. §§ 4601-4623 (Supp. III 2015). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2017 (82 Fed. Reg. 39,005 (Aug. 16, 2017)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2012).

WHEREAS, BIS has issued a Proposed Charging Letter to Pilot that alleges that Pilot committed one violation of the Regulations, specifically:

**Charge 1 15 C.F.R. § 764.2(b): Aiding or Abetting an Attempted
Unlicensed Export to a Listed Entity**

On one occasion, in or about February 2015, Pilot caused, aided, and/or abetted a violation of the Regulations by facilitating the attempted unlicensed export of items subject to the Regulations from the United States to IKAN Engineering Services ("IKAN"), an entity in Pakistan listed on BIS's Entity List. The items included an ultrasonic mill cutting machine, which is classified under Export Control Classification Number ("ECCN") 2B991 and controlled for Anti-Terrorism reasons, and related electrical equipment, designated EAR99,³ and were valued in total at approximately \$250,287.

IKAN is and was at all times pertinent hereto on the Entity List, Supplement No. 4 to Part 744 of the Regulations. IKAN was added to the Entity List on September 18, 2014, along with several other Pakistani entities that had worked with Pakistan's Advanced Engineering Research Organization ("AERO") to procure sensitive U.S. technology in support of Pakistan's missile and strategic unmanned aerial vehicle ("UAV") programs, in violation of the license requirements set forth in Section 744.3 of the Regulations. *See* 79 Fed. Reg. 55998 (Sept. 18, 2014). IKAN had been used as an intermediary or front company by AERO to procure U.S.-origin items through deceptive means on behalf of Pakistan's Air Weapons Complex, a Pakistani Government entity responsible for cruise missile and strategic UAV programs. *See id.*

Accordingly, pursuant to Section 744.11 of the Regulations and IKAN's Entity List listing, a license is and was at all pertinent times required to export any item subject to the Regulations to IKAN, and license applications to export to IKAN are and were at all pertinent times subject to a license review policy of a presumption of denial. As detailed further below, in providing forwarding services to facilitate this attempted unlicensed export, Pilot's screening program failed to flag or detect a close match for IKAN's name and address as set forth on the Entity List.

Pilot arranged for the transportation of the items by rail from the exporter's location in New Mexico, to the intended port of export in Long Beach, California, and prepared and submitted shipping documentation, including Electronic Export Information ("EEI") filed with the U.S. Government. The EEI filed by Pilot in the Automated Export System indicated, erroneously, that no license was required for the export of the items to IKAN.

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2015-2017).

Pilot had multiple proprietary interfaces/portals for entering and scheduling shipments and related forwarding services, including an online interface called "Co-Pilot," which Pilot customers could access directly to, inter alia, enter information about and schedule shipments for pickup, and which was used to enter and schedule the shipment at issue in this matter. Pilot relied on proprietary screening software built into its primary interface/portal, "Navigator," to screen against the Entity List and other U.S. Government prohibited party lists. However, Pilot had not connected its "Co-Pilot" interface/portal (as well as one other interface/portal) to the proprietary screening software, with the effect that shipments scheduled through those interfaces/portals were not screened against the Entity List. Consequently, Pilot failed to flag this transaction even though the name and address information in its possession closely matched the Entity List listing for IKAN. As Pilot has acknowledged to BIS during this matter, properly configured screening software would have identified the attempted export as involving a listed entity and flagged it for review.

No license was sought or obtained for this transaction, as Pilot knew or should have known. BIS was able to prevent the intended export from occurring by detaining the items before they could be shipped out of the United States.

By so causing, aiding, and/or abetting the attempted unlicensed export of items subject to the Regulations to IKAN, Pilot committed one violation of Section 764.2(b) of the Regulations.

WHEREAS, Pilot has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, Pilot fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Pilot enters into this Agreement voluntarily and with full knowledge of its rights, after having consulted with counsel;

WHEREAS, Pilot states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Pilot neither admits nor denies the allegations contained in the Proposed Charging Letter; and

WHEREAS, Pilot agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over Pilot, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanctions shall be imposed against Pilot in complete settlement of the alleged violations of the Regulations relating to the transaction specifically detailed in the Proposed Charging Letter:

a. Pilot shall be assessed a civil penalty in the amount of \$175,000. The payment of \$100,000 shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$75,000 shall be suspended through March 31, 2020, and thereafter shall be waived, provided that during this payment probationary period under the Order: Pilot has timely paid \$100,000 to the Department of Commerce as set forth above; has otherwise complied with the provisions of the Agreement and the Order; and has committed no other violation of the Act, or any regulation, order, license or authorization issued thereunder.

b. Pilot shall complete two external audits of its export controls compliance program. Pilot shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct each external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports and reexports that are subject to the

Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 1200 South Avenue, Suite 104, State Island NY 10314 (“BIS New York Field Office”). The audits shall cover the periods of January 1, 2018 through December 31, 2018, inclusive, and January 1, 2019 through December 31, 2019, inclusive, and the related reports shall be due to the BIS New York Field Office no later than March 31, 2019, and March 31, 2020, respectively. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module, and shall include an assessment of Pilot’s compliance with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/compliance>. In addition, where said audit identifies actual or potential violations of the Regulations, Pilot shall promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS New York Field Office.

c. The full and timely payment of the civil penalty agreed to in Paragraph 2.a and the timely completion of the audits and submission of the audit results agreed to in Paragraph 2.b, are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Pilot. Failure to make full and timely payment of the civil penalty, or to complete the audits and submit the audit results, may result in the denial of all of Pilot’s export privileges under the

Regulations for one year from the date of the failure to make such payment, or to so complete any of the audits and submit the results.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, Pilot hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) receive an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order. Pilot also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any violation of the Act or the Regulations arising out of the transaction identified in the Proposed Charging Letter, and in connection with collection of the civil penalty or enforcement of this Agreement and the Order, if issued, from the date of the Order until the later of the date Pilot pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement or has completed the audits and submitted the audit results agreed to in Paragraph 2.b.

4. Pilot shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect Pilot's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a and completion of the audits and submission of the audit results as

set forth in Paragraph 2.b, BIS will not initiate any further administrative proceeding against Pilot in connection with any violation of the Act or the Regulations arising out of the transaction specifically detailed in the Proposed Charging Letter.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.


7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement or the Order serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. If the Order issues, BIS will make the Proposed Charging Letter, this Agreement, and the Order available to the public.

10. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his/her respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND
SECURITY
U.S. DEPARTMENT OF COMMERCE



Douglas R. Hassebrock
Director of Export Enforcement

Date: 20 Nov 17

PILOT AIR FREIGHT, LLC



Gordon Branov
CEO
Pilot Air Freight, LLC
a/k/a Pilot Air Freight Corp.

Date: 11/1/2017

Reviewed and approved by:



Mario Mancuso, Esq.
Kirkland & Ellis LLP
Counsel for Pilot Air Freight, LLC
a/k/a Pilot Air Freight Corp.

Date: November 1, 2017

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Pilot Air Freight, LLC
a/k/a Pilot Air Freight Corp.
314 North Middletown Road
Lima, PA 19037

Attention: Gordon Branov, CEO

Dear Mr. Branov,

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Pilot Air Freight, LLC, also known as Pilot Air Freight Corp. (“Pilot”), of Lima, Pennsylvania, has violated the Export Administration Regulations (the “Regulations”),¹ which issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that Pilot committed the following violation:

Charge 1 15 C.F.R. § 764.2(b) – Aiding or Abetting an Attempted Unlicensed Export to a Listed Entity

On one occasion, in or about February 2015, Pilot caused, aided, and/or abetted a violation of the Regulations by facilitating the attempted unlicensed export of items subject to the Regulations from the United States to IKAN Engineering Services (“IKAN”), an entity in Pakistan listed on BIS’s Entity List. The items included an ultrasonic mill cutting machine, which is classified under Export Control Classification Number (“ECCN”) 2B991 and controlled for Anti-Terrorism reasons, and related electrical equipment, designated EAR99,³ and were valued in total at approximately \$250,287.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2017). The violation alleged occurred in 2015. The Regulations governing the violation at issue are found in the 2015 version of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2015). The 2017 Regulations govern the procedural aspects of this case.

² 50 U.S.C. §§ 4601-4623 (available at <http://uscode.house.gov/>). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2017 (82 Fed. Reg. 39005 (Aug. 16, 2017)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.* (2012)).

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2015-2017).

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Accordingly, pursuant to Section 744.11 of the Regulations and IKAN's Entity List listing, a license is and was at all pertinent times required to export any item subject to the Regulations to IKAN, and license applications to export to IKAN are and were at all pertinent times subject to a license review policy of a presumption of denial. As detailed further below, in providing forwarding services to facilitate this attempted unlicensed export, Pilot's screening program failed to flag or detect a close match for IKAN's name and address as set forth on the Entity List.

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Pilot had multiple proprietary interfaces/portals for entering and scheduling shipments and related forwarding services, including an online interface called "Co-Pilot," which Pilot customers could access directly to, inter alia, enter information about and schedule shipments for pickup, and which was used to enter and schedule the shipment at issue in this matter. Pilot relied on proprietary screening software built into its primary interface/portal, "Navigator," to screen against the Entity List and other U.S. Government prohibited party lists. However, Pilot had not connected its "Co-Pilot" interface/portal (as well as one other interface/portal) to the proprietary screening software, with the effect that shipments scheduled through those interfaces/portals were not screened against the Entity List. Consequently, Pilot failed to flag this transaction even though the name and address information in its possession closely matched the Entity List listing for IKAN. As Pilot has acknowledged to BIS during this matter, properly configured screening software would have identified the attempted export as involving a listed entity and flagged it for review.

No license was sought or obtained for this transaction, as Pilot knew or should have known. BIS was able to prevent the intended export from occurring by detaining the items before they could be shipped out of the United States.

By so causing, aiding, and/or abetting the attempted unlicensed export of items subject to the Regulations to IKAN, Pilot committed one violation of Section 764.2(b) of the Regulations.

* * * * *

Accordingly, Pilot is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions including, but not limited to, any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$289,238 per violation⁴ or twice the value of the transaction that is the basis of the violation;⁵
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

If Pilot fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If Pilot defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Pilot. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Pilot is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. Pilot is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Pilot have a proposal to settle this case, Pilot should transmit it to the attorneys representing BIS named below.

Pilot is further notified that under the Small Business Regulatory Enforcement Flexibility ACT, Pilot may be eligible for assistance from the Office of the National Ombudsman of

⁴ *See* 15 C.F.R. § 6.4(b)(4). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015.

⁵ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Pilot Air Freight, LLC
Proposed Charging Letter
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the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Pilot's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of Pilot's answer must be served on BIS at the following address:

Office of Chief Counsel for Industry and Security
14th Street and Constitution Avenue, N.W.
Room H-3839
Washington, D.C. 20230
Attention: Zachary Klein, Esq.

Zachary Klein is the attorney representing BIS in this case; any communications that Pilot may wish to have concerning this matter should occur through him. Mr. Klein may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement